Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 3 Agenda
Health & Human Services

Chair, Senator Denise Ducheny

Senator George Runner
Senator Tom Torlakson

March 7, 2005

Upon Adjournment of Session

Room 4203
(John L. Burton Room)

(Diane Van Maren)

Item	**Department**
4440	**Department of Mental Health—Selected Issues**

- **Community Mental Health issues**
- **State Hospital issues**

PLEASE NOTE: Only those items contained in this agenda will be discussed at this hearing. Proposition 63 funding and other issues pertaining to the DMH will be discussed at subsequent hearings. *Please* see the Senate File for dates and times of subsequent hearings.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair. Thank you.

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Department of Mental Health

A. OVERALL BACKGROUND

Purpose and Description of Department: The Department of Mental Health (DMH) administers state and federal statutes pertaining to mental health treatment programs. The department directly administers the operation of four State Hospitals—Atascadero, Metropolitan, Napa and Patton--, and acute psychiatric programs at the California Medical Facility in Vacaville and the Salinas Valley State Prison.

The department provides hospital services to civilly committed patients under contract with County Mental Health Plans (County MHPs) while judicially committed patients are treated solely using state funds.

Purpose and Description of County Mental Health Plans: Though the department sets overall policy for the delivery of mental health services, counties (i.e., County Mental Health Plans) have the primary funding and programmatic responsibility for the majority of local mental health programs as prescribed by State-Local Realignment statutes enacted in 1991 and 1992.

Specifically counties are responsible for: (1) all mental health treatment services provided to low-income, uninsured individuals with severe mental illness, within the resources made available, **(2)** the Medi-Cal Mental Health Managed Care Program, **(3)** the Early Periodic Screening Diagnosis and Testing (EPSDT) Program for adolescents, and **(4)** mental health treatment services for individuals enrolled in other programs, including special education, CalWORKs, and Healthy Families.

Overall Governor's Proposed Budget: The budget proposes expenditures of $2.747 billion ($1 billion General Fund) for mental health services, for an overall increase of $78.1 million, or 8.2 percent over the revised current year. This General Fund increase is the net result of significant adjustments in the State Hospital budget as well as the funding of local mandates after three years of suspended payments.

Summary of Expenditures (in thousands)	**2004-05**	**2005-06**	**$ Change**	**% Change**
Program Source:				
Community Services Program	$1,773,472	$1,860,792	$87,320	4.9
Long Term Care Services	$802,270	$875,193	$72,923	9.1
Unallocated Reduction to State Support		($949)	($949)	(100)
State Mandated Local Programs	$7	$12,509	$12,502	1,786
Total, Program Source	**$2,575,749**	**$2,747,545**	**$171,796**	**6.7**
Funding Source:				
General Fund	$956,640	$1,034,692	$78,052	8.2
General Fund, Proposition 98	$8,400	$8,400	--	--
Proposition 99 Funds (Hospital Acct)	$16,724	$20,491	$3,767	22.5
Federal Funds	$61,872	$61,936	$64	(0.1)
Reimbursements	$1,529,525	$1,619,810	$90,285	5.9
Other Special Funds	$2,588	$2,216	($372)	26.0
Total Department	**$2,575,749**	**$2,747,545**	**$171,796**	**6.7**

As noted in the table above, $1.861 billion is for local assistance, $875.2 million is for the State Hospitals, and $12.5 million (General Fund) is for state mandated local programs. In addition to the above expenditures, the DMH is also proposing capital outlay expenditures of $38.5 million ($5.4 million General Fund).

County Realignment Funds: In addition, it is estimated that almost $1.220 billion will be available in the Mental Health Subaccount (County Realignment Funds) which does not directly flow through the state budget. Counties use these revenues to provide necessary mental health care services to Medi-Cal recipients, as well as indigent individuals.

Realignment revenues are currently the largest revenue source for community mental health services in California. The second largest revenue source is federal Medicaid (Medi-Cal) dollars. Most of the state's General Fund support is expended on state-operated State Hospitals in order to serve Penal Code related patients.

Proposition 63: It should be noted that revenues generated from the passage of Proposition 63 are not yet reflected in the budget. An expenditure plan from the Administration, as required by the proposition, will be forthcoming at the May Revision. Projected revenues to be available for expenditure are $254 million in 2004-05 and $683 million for 2005-06. These funds are a continuous appropriation and are therefore, not subject to annual Budget Act appropriation.

B. ISSUES FOR VOTE ONLY (Items 1 and 2)

1. Healthy Families Program Adjustments—Supplemental Mental Health Services

Issue: The Governor's budget proposes an increase of $352,000 (federal reimbursements) to reflect technical adjustments to the supplemental mental health services provided by County Mental Health Plans under the Healthy Families Program.

Additional Background—What is the HFP and How are Supplemental Mental Health Services Provided:

The Healthy Families Program provides health insurance coverage, dental and vision services to children between the ages of birth to 19 years with family incomes at or below 250 percent of poverty (with income deductions) who are not eligible for no-cost Medi-Cal.

The enabling Healthy Families Program statute linked the insurance plan benefits with a supplemental program to refer children who have been diagnosed as being seriously emotionally disturbed (SED). The supplemental services provided to Healthy Families children who are SED can be billed by County Mental Health Plans to the state for a federal Title XXI match. Counties pay the non-federal share from their County Realignment funds (Mental Health Subaccount) to the extent resources are available. With respect to legal immigrant children, the state provides 65 percent General Fund financing and the counties provide a 35 percent match.

Under this arrangement, the Healthy Families Program health plans are required to sign Memoranda of Understanding (MOU) with each applicable county. These MOUs outline the procedures for referral. It should be noted that the health plans are compelled, as part of the required Healthy Families benefit package and capitation rate, to provide certain specified mental health treatment benefits prior to referral to the counties.

Subcommittee Staff Comments and Recommendation (Adopt): The proposed adjustment reflects two technical adjustments. First, a baseline adjustment is made to address changes in the percent of legal immigrants accessing these services. Based on the most recent data, two percent of the services are provided to legal immigrants enrolled in the program. Previously it was three percent. Second, the adjustment also reflects the impact of applying the forecast methodology to approved paid claims data.

The adjustments are reasonable and reflect existing cost methodology. No issues have been raised on this proposal. It is therefore recommended to approve as budgeted.

2. Adjustments for San Mateo Field Test Model

Issue: The Governor's budget proposes an increase of $1.136 million (reimbursements from the DHS to the DMH) to adjust the funding levels provided for pharmacy expenditures in the San Mateo Field Test Project.

Additional Background—What is the San Mateo Field Test Project? The San Mateo County Mental Health Department has been operating as the mental health plan under a federal Waiver agreement and state statute as a "field test" project since 1995. San Mateo is the only county that has responsibility for the management of some financial risk through a case rate system and the management of pharmacy and related laboratory services, in addition to being responsible for psychiatric inpatient hospital services and outpatient specialty mental health services.

The field test is intended to test managed care concepts which may be used as the state progresses towards the complete consolidation of specialty mental health services and eventually, a capitated or other full-risk model. As the San Mateo Field Test Project has matured and evolved, additional components have been added and adjusted.

Subcommittee Staff Comments and Recommendation (Adopt): The $1.136 million (reimbursements) is requested to reflect a forecasting methodology developed by the DMH for pharmacy expenditures specific to this field test project. Specifically, the forecasting methodology is based on a study conducted in 2003. The requested increase of $1.136 million reflects a 9.21 percent increase in pharmacy expenditures.

The budget proposes adjustments which reflect the existing agreement the state has with San Mateo. No issues have been raised on this proposal. It is therefore recommended to approve as budgeted.

C. DISCUSSION ITEMS--Community-Based Mental Health Services

1. Mental Health Managed Care Adjustments

Issues: *First,* the Governor's budget proposes a *net* increase of $11.4 million ($5.7 million General Fund) to reflect adjustments to Mental Health Managed Care. This net increase reflects the following adjustments:

- Increase of $11.5 million (total funds) to reflect an increase in caseload (both inpatient and outpatient); and
- Decrease of $450,000 (total funds) to reflect several minor technical adjustments.

The Governor's budget does not reflect a medical consumer-price index adjustment which was supposed to be part of the annual formula agreed to by the counties and the state. No medical consumer-price index adjustment has been provided since the Budget Act of 2000. For 2005-06, the cost of the medical consumer-price index would have been $8.5 million, if provided.

Second, the Waiver to continue California's Mental Health Managed Care Program is up for renewal. The current Waiver expires as of April 27, 2005. The DHS, DMH and federal CMS are in the process of discussing the renewal. The state anticipates receiving the federal CMS' comments and questions on the Waiver renewal within the next few weeks. A key discussion point will likely be how the state determines cost-effectiveness under the Waiver.

Background—Overview of Mental Health Managed Care: Under Medi-Cal Mental Health Managed Care psychiatric inpatient hospital services and outpatient specialty mental health services, such as clinic outpatient providers, psychiatrists, psychologists and some nursing services, became the responsibility of a single entity, the Mental Health Plan (MHP) in each county.

Full consolidation was completed in June 1998. This consolidation required a Medicaid Waiver ("freedom of choice") and as such, the approval of the federal government. Medi-Cal recipients *must* obtain their mental health services through the County MHP.

The Waiver promotes plan improvement in three significant areas—access, quality and cost-effectiveness/neutrality. The DMH is responsible for monitoring and oversight activities of the County MHPs to ensure quality of care and to comply with federal and state requirements.

Background—How Mental Health Managed Care is Funded: Under this model, County MHPs generally are at risk for the state matching funds for services provided to Medi-Cal recipients and claim federal matching funds on a cost or negotiated rate basis. County MHPs access County Realignment Funds (Mental Health Subaccount) for this purpose.

An annual state General Fund allocation is also provided to the County MHP's. The state General Fund allocation is usually updated each fiscal year to reflect adjustments as contained in Chapter 633, Statutes of 1994 (AB 757, Polanco). These adjustments have typically included,

changes in the number of eligibles served, factors pertaining to changes to the consumer price index (CPI) for medical services, and other relevant cost items.

The state's allocation is contingent upon appropriation through the annual Budget Act.

Based on the most recent estimate of expenditure data for Mental Health Managed Care, County MHPs provided a 46 percent match while the state provided a 54 percent match. (Adding these two funding sources together equates to 100 percent of the state's match in order to draw down the federal Medicaid funds.)

Subcommittee Staff Comment and Recommendation: It is recommended to adopt the Governor's proposed budget at this time, pending receipt of the May Revision which is likely to make caseload adjustments. The proposal reflects the standard calculations, except for the medical CPI adjustment.

The renewal of the Waiver is clearly a critical issue. The Administration needs to keep the Legislature abreast of any issues that may arise during the renewal process.

Questions:

1. DMH, Please provide a brief summary of the budget proposal.
2. DMH, Please provide an update on the status of the renewal of the Waiver.
3. DMH, How will the Administration keep the Legislature informed as discussions continue with the federal CMS regarding renewal of this important Waiver?

2. Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program

Issue: The revised current-year reflects a decrease of $29.2 million (reimbursements) based on the most recent paid claims data. For the budget year, an increase of $47.5 million (reimbursements which reflect an increase of $23.7 million General Fund) is proposed. It should be noted that the Governor's May Revision will make caseload and cost adjustments based on revised data.

Summary Table of EPSDT Funds

Summary of Total EPSDT Expenditures (All Fund Sources)	Governor's Proposed 2005-06
Total Estimated Claims	$949.2 million
County Realignment Funds (Baseline)	($65.8 million)
County Realignment Funds (10 percent)	($16.4 million)
Subtotal for County Funds	$82.2 million
State General Fund	$392.5 million
Federal Funds (Medicaid match at 50%))	$474.5 million

It should also be noted that the DMH is commencing with audit reviews of EPSDT expenditures and estimate that General Fund recoupment from these audits will be about $4.2 million.

The budget reflects the existing funding methodology used by the Administration for this program. No issues have been raised by Subcommittee staff.

EPSDT Litigation—State Has Settlement Agreements: In 1990, a national study found that California ranked 50th among the states in identifying and treating severely mentally ill children. Subsequently due to litigation (T.L. v Belshe' 1994), the DHS was required to expand certain EPSDT services, including outpatient mental health services. The 1994 court's conclusion was reiterated again in 2000 with respect to additional services (i.e., Therapeutic Behavioral Services—TBS) being mandated.

Further in January 2004, the U.S. District Court issued an Interim Order clarifying an earlier ruling regarding the provision of TBS that also required outreach, monitoring and related provisions to ensure that children receive EPSDT services as needed. The Court agreed that TBS utilization was too low statewide and ordered the parties to collaborate to develop a plan to increase TBS approvals.

EPSDT Funding Process—Both County and State Funds Used To Draw Federal Match: The DHS and DMH crafted an interagency agreement in 1995 to implement expanded services as required by the court.

Generally, this *original* agreement required County MHPs to provide a "baseline" amount using County Realignment Funds (essentially a county "maintenance-of-effort") and then the state was responsible for providing the nonfederal share of the growth in the program.

The baseline amount is established for each county based on a formula. For 2004-2005, the baseline is $65.8 million, plus an additional 10 percent county match ($16.4 million for the budget year) which was instituted in the Budget Act of 2002, for a total of $82.2 million (County Realignment Funds). The state will provide funding (via Medi-Cal) for costs above this amount (above the baseline and 10 percent match).

The General Fund dollars and accompanying federal matching funds are budgeted in the DHS and are transferred to the DMH as reimbursements. The DMH distributes EPSDT funds to the County MHPs responsible for the provision of specialty mental health in each county. Final payment is based on cost settled actual allowable costs, or rates.

Background—Overall: Most children receive Medi-Cal services through the EPSDT Program. Specifically, EPSDT is a federally mandated program that requires states to provide Medicaid (Medi-Cal) recipients under age 21 *any* health or mental health service that is medically necessary to correct or ameliorate a defect, physical or mental illness, or a condition identified by an assessment, including services not otherwise included in a state's Medicaid (Medi-Cal) Plan.

Though the DHS is the "single state agency" responsible for the Medi-Cal Program, mental health services including those provided under the EPSDT, have been delegated to be the

responsibility of the Department of Mental Health (DMH). Further, counties are responsible for providing, arranging and managing Medi-Cal mental health services under the supervision of the DMH and DHS. However, eligibility and the scope of services to which eligible children are entitled, are *not* established at the local level.

Types of Services: The state uses the term "EPSDT supplemental services" to refer to EPSDT services which are required by federal law but are not otherwise covered under the state Medi-Cal Plan for adults. Examples of services include family therapy, crisis intervention, medication monitoring, and behavioral management modeling.

Prevalence Rate for California: Based on a number of studies which estimate the prevalence of children exhibiting various levels of functional impairment, it is estimated that 20 percent of children suffer from diagnosable mental disorder, and up to 13 percent of these children are estimated to be seriously emotionally disturbed. Given these estimates it is likely that between 500,000 to 1.3 million children and adolescents in California have a severe emotional disturbance.

As a comparison, the actual statewide average EPSDT penetration rate was 5.36 percent as of 2002-03 (up slightly from 2001-02 when it was 5.29 percent).

It should be noted that the Little Hoover Commission's report (October 2001) on the existing inadequacies in the children's mental health system considered the potential savings if children's mental health utilization increased by 10 percent—the estimated prevalence rate. In one year, they estimated that California would save $44 million in juvenile justice, $27 million in CYA costs, $78 million in residential treatment and $1.4 million at Metropolitan State Hospital. A total of $110 million in savings!

Subcommittee Staff Comment and Recommendation: The Legislature has enacted several cost containment measures over the past several years, including the application of certain managed care principles to the program as well as directing the DMH to conduct regular audits of the program. The trend line of growth for this program has begun to diminish considerably. In past years the state experienced growth of well over $100million (plus).

The budget reflects existing methodologies and no issues have been raised. It is recommended to adopt the proposal pending receipt of the May Revision which will likely reflect caseload and cost adjustments (more recent cost reports will be available).

Questions:

1. DMH, Please provide a brief summary of the budget request, starting with the revised current-year adjustment.
2. DMH, Please provide a brief update on implementation of the EPSDT audit field work.

3. Mental Health Services Provided to Special Education Students ("AB 3632")

Issues: At this time, it is unclear as to what is actually proposed in the Governor's budget.

First, the Department of Education's budget appropriates $69 million in federal Individuals with Disabilities Education Act (IDEA) funds as reimbursement to County Mental Health Plans (County MHPs) for "AB 3632" services *and* continues $31 million in ongoing Proposition98/General Fund to local education agencies (LEAs) for mental health related services.

Second, the Department of Mental Health's budget *appears* to suspend the AB 3632 mandate by displaying a zero under the state mandate payment item (Item 4440-295-0001) of the Budget Bill as introduced. No written information, such as a "budget change proposal", was provided by the Administration for this item. The Legislative Analyst's Office (LAO) contends that suspending the mandate frees local government from the service requirement for 2005-06.

Prior to the Budget Act of 2002, County MHPs were primarily reimbursed for their AB 3632 mental health services provided to special education students through the Commission on State Mandates. However a moratorium was placed on mandate reimbursements for local government beginning in 2002. This moratorium was continued in the Budget Act of 2003. But $69 million in federal IDEA funds was appropriated to schools in the Budget Act of 2003. These funds were then to be allocated to County MHPs for their services. However, the County MHPs note that about $120 million was actually expended on AB 3632 services for this year. SB 1895 (Burton), as discussed below, clarified the funding stream interactions for the 2004-05 fiscal year.

Third, Proposition 1A, passed by voters last November, authorizes the state to pay over time all local agency mandate liabilities incurred before 2004-05. As noted by the Legislative Analyst's Office (LAO), Proposition 1A does not specifically mention mandate liabilities incurred during 2004-05, but it appears to require the Legislature to fund these costs in the 2005-06 budget unless (1) the Legislature suspends the mandate in 2005-06, or (2) the mandate pertains to employee rights. The LAO states that though it may be reasonable from a fiscal standpoint to pay the state's 2004-05 costs over time, this proposal does not appear consistent with the requirements of Proposition 1A. The Administration does have a proposal to lengthen the mandate payment term to 15 years (ACA 4x (Keene)).

Fourth, in a letter dated February 17, 2005, the Department of Finance provided notification and assurance to four litigant counties (San Diego, Sacramento, Orange and Contra Costa) that if a County MHP provides AB 3632 services on behalf of a County Office of Education and has unreimbursed allowable costs, then these counties are eligible for reimbursement under the state mandates claim process. This letter is consistent with SB 1895 (Burton), Statutes of 2004.

Fifth, among other things, SB 1895 (Burton) does the following:

- Requires LEAs, prior to the referral of a pupil to County MHPs, to follow procedures regarding an Individualized Education Plan (IEP), as defined in current law. It also directs the LEAs to request the participation of County MHPs in this process.

- Reconfirms that County MHPs are eligible for reimbursement from the state for all allowable costs for specified mental health services provided to special education students.
- Requires that $31 million (Proposition 98/General Fund) appropriated in the Budget Act of 2004 be distributed on the basis of provided services that are consistent with the federal IDEA. The intent is that the provision of upfront, more preventive services would over time lower the costs to counties for the mandate.
- Requires that the $69 million provided in the Budget Act of 2004 allocated to County Offices of Education be used to support mental health services by County MHPs for special education children. (This offsets General Fund mandate costs.)
- Specifies that a County MHP does not have fiscal or legal responsibility for any costs it incurs prior to the approval of an IEP, except for costs associated with conducting a mental health assessment.

Background—Mental Health Services to Special Education Pupils: Federal law (PL 94-142 of 1975-- the Education for All Handicapped Children Act—and the later Individuals with Disabilities Education Act (IDEA) mandates states to provide services to children enrolled in special education, including all related services as required to benefit from a free and appropriate education. Related services include mental health services, occupational and physical therapy and residential placement.

In California, County MHPs are responsible for providing mental health services to students when required in the pupil's Individualized Education Program (IEP). This is because AB 3632 (W. Brown), Statutes of 1984, shifted responsibility for providing these services from School Districts and transferred them to the counties. This was done because School Districts were not appropriately providing the services.

These services are an entitlement and children can receive services irrespective of their parent's income-level. In addition, County MHPs cannot charge families for these services because the children are entitled to a free and appropriate public education under federal law.

What Mental Health Services Are Mandated: Services to be provided, including initiation of service, duration and frequency of service, are included on the student's IEP and must be provided as indicated. Services can only be discontinued on the recommendation of the County MHP *and* the approval of the IEP team, or by parental decision. Among other things, mental health services include assessments, and all or a combination of individual therapy, family therapy, group therapy, day treatment, medication monitoring and prescribing, case management, and residential treatment.

Legislative Analyst's Office (Education Section): In her Analysis, the LAO recommends to (1) earmark the $100 million ($69 million in federal IDEA and $31 million in Proposition 98/General Fund) for mental health services into the base special education funding formula, and (2) redirect $42.8 million more in funding to the schools for these mental health services. As such, a total of $142.8 million would be provided. This dollar amount is based on past allowable claims made by County MHPs on what they have spent on an annual basis.

The LAO also recommends to eliminate the existing mental health mandate on counties since federal law requires School Districts to provide these services as directed by the IDEA. The LAO contends that by eliminating the state mandate on counties, the effect would be to return these responsibilities to the School Districts.

Subcommittee Staff Comment and Recommendation: At this time, considerable issues exist which need to be clarified, including certain legal issues pertaining to Proposition 98 funding, as well as service needs issues. For example, if School Districts receive these funds as part of their base special education funding, will they be used to provide needed mental health services?

Presently, discussions are ongoing regarding legal and administrative issues, as well as what constitutes an appropriate level of funding and how should it be allocated. As such, it is recommended to hold this issue open pending receipt of additional information, as well as discussions to be convened by Subcommittee #1, the Education Subcommittee of Senate Budget & Fiscal Review.

Questions:

1. DOF, Please clarify the Administration's budget proposal for AB 3632 services.
2. DOF, When will your legal analysis be available regarding the various aspects of funding, mandates and state constitutional issues?
3. DMH, Will the April 1, 2005 report on AB 3632 services as required by SB 1895 be provided to the Legislature at that time?

4. Federal Funds Report

Issue: In the Budget Act of 2004, the Legislature appropriated $472,000 (General Fund) and adopted Budget Act Language to direct the Department of Mental Health to identify and evaluate approaches for increasing federal funding and reducing state costs for both the community mental health system and the State Hospitals.

This report was to be provided to the Legislature by January 10, 2005. The report has not yet been provided.

Questions:

- **1.** DMH, When will the report be made available to the Legislature?
- **2.** DMH, Could you please share some ideas that may be constructive in obtaining additional federal funds for mental health services (community mental health and State Hospitals)?

D. DISCUSSION ITEMS—State Hospitals

Summary of State Hospital Patients and Funding Streams

Overall Background: The department directly administers the operation of five State Hospitals—Atascadero, Metropolitan, Napa, Patton, and Coalinga (to be activated). In addition, the DMH administers acute psychiatric programs at the California Medical Facility in Vacaville, and the Salinas Valley State Prison.

Patients admitted to the State Hospitals are generally either (1) civilly committed, or (2) judicially committed. As structured through the State-Local Realignment statutes of 1991/92, County Mental Health Plans (County MHPs) contract with the state to purchase beds. County MHPs reimburse the state for these beds using County Realignment Funds (Mental Health Subaccount).

Judicially committed patients are treated solely using state General Fund support. The majority of the General Fund support for these judicially committed patients is appropriated through the Department of Mental Health (DMH). However, a small amount of reimbursement is also provided to the DMH by the Department of Corrections and the Department of Youth Authority (18 years of age and younger) to support certain specified patient populations.

Penal Code-related patients include individuals who are classified as: **(1)** not guilty by reason of insanity (NGI), **(2)** incompetent to stand trial (IST), **(3)** mentally disordered offenders (MDO), **(4)** sexually violent predators (SVP), and **(5)** other miscellaneous categories as noted.

Of the total patient population, about 90 percent of the beds are designated for penal code-related patients and only about 10 percent are to be purchased by the counties, primarily Los Angeles County.

Summary of Overall Caseload: The DMH estimates a revised current-year population of 5,266 patients (as of June 30, 2005) and a budget-year population of 5,454 patients for 2005-06 (as of June 30, 2006). The DMH has a pending current-year deficiency of $21.6 million (total funds) due to the increase of 263 patients (all penal-code related patients).

Table: Summary of Population by Hospital

Hospital Summary	Budget Act of 2004 (6/30/2005)	*Revised* 2004-05 (6/30/2005)	Proposed Patient Growth for 2005-06	Proposed 2005-06 Population
Atascadero	1,484	1,470	(199)	1,271
Coalinga	0	0	583	583
Metropolitan	679	780	(35)	745
Napa	1,102	1,120	0	1,120
Patton	1,440	1,537	(161)	1,376
Vacaville	234	295	0	295
Salinas	64	64	0	64
TOTALS	**5,003**	**5,266 263 increase**	**188**	**5,454**

Governor's Proposed Budget Overall: The budget proposes total expenditures of $840.8 million ($673.4 million General Fund, $145.7 million in reimbursements, mainly from the Department of Corrections, $20.5 million Proposition 99 Funds and $1.2 million Lottery Education Fund) for long-term care services (State Hospitals and the acute psychiatric facilities).

The budget proposes a *net* increase of $107.7 million ($86.3 million General Fund) compared to the Budget Act of 2004. Most of this increase is due to (1) increased penal code-related caseload, and (2) activation of Coalinga State Hospital.

It should be noted that the proposed budget reflects a shift of $20.5 million in General Fund support to Proposition 99 Funds (Hospital Services Account). This aspect of the proposal will be discussed at a later hearing when the *overall appropriations* of Proposition 99 Funds are discussed.

Table: Key Adjustments to State Hospitals and Acute Psychiatric Facilities

Type of Adjustment	Governor's Proposed 2005-06 (Total Funds)	Governor's Proposed 2005-06 (General Fund)
A. Key Baseline Adjustments:		
1. Employee compensation & related adjustments	$21.7 million	$17 million
2. Population adjustments due to patient caseload for current-year growth	$20.3 million	$7.5 million
3. Adjustments- full-year cost of prior year's caseload	$32.9 million	$34.9 million
4. Operating Expenses & Equipment	$8.7 million	$7 million
5. Price increase per DOF	$2.8 million	$2.2 million
6. Unallocated Reduction	($240,000)	($240,000)
B. Other Policy Adjustments		
1. Activation of Coalinga	$74.2 million	$65.7 million
2. Special staff adjustments for Metropolitan and Napa	$3.6 million	NA
3. Transfer of Pre-Commitment SVPs ***(rescinded as of March1)***	($9.2 million)	($9.2 million)
4. Restructure SVPs	($6 million)	($6 million)
5. Vacaville Psychiatric Program adjustments	$2.3 million	NA
6. Strategic Sourcing Savings	($2.4 million)	($2.4 million)

Specific issues regarding the State Hospitals and related items are discussed below.

1. State Hospital's and Acute Psychiatric Population Adjustments *(Baseline)*

Issue: The Governor's budget proposes a series of baseline adjustments for the State Hospital and acute psychiatric facilities related to patient population. As noted in the table below, (1) the current-year is being revised to accommodate an increase of 263 penal code patients, and (2) the budget year projects an increase of 188 penal code patients. The budget proposes the following key baseline adjustments:

- ***County MHP Beds:*** Reduces 45 beds from the County MHP contracts for a net reduction of $4 million (Reimbursements from County Realignment Funds).
- ***Overhead Adjustment:*** Increases by $842,000 (General Fund) to recognize a fixed cost adjustment factor due to the reduction in county-purchased beds. In essence, since the County MHPs are only purchasing about 10 percent of the beds, the state needs to increase its share of the fixed costs.
- ***Judicially Committed Patients:*** Provides an increase of $53.2 million (total funds) for the on-going costs of the current-year caseload increase, as well as for the increase in caseload for the budget year.
- ***Operating Expenses and Equipment:*** Increases by $8.7 million ($7 million General Fund) to provide for food, clothing, and related items due to the patient population increase.
- ***Employee Compensation:*** Provides a *net* increase of $32.9 million ($34.9 million General Fund) to reflect the ongoing baseline adjustments implemented in the current year for employee compensation, including wage, health, and worker's compensation.
- ***Price Increase per DOF:*** The DOF has proposed statewide increases for departments to make adjustments to certain operating expenditure and equipment items. The State Hospital budget includes $2.8 million ($2.2 million General Fund) for this purpose.
- ***Unallocated Reduction:*** The Administration is proposing an unallocated reduction of $240,000 (General Fund). It is unknown how this proposed action will be implemented.

Table: Summary of Caseload by Patient Type

Patient Type	Budget Act of 20004-05 Caseload	2004-05 Revised Caseload	2005-06 Proposed Caseload	Caseload Percent By Patient Type	Difference for 2005-06
Incompetent to Stand Trial	915	1,104	1,195	22%	91
Not Guilty—Insanity	1,288	1,288	1,329	24.4%	41
Mentally Disordered Offender	951	1,023	1,113	20.4%	90
Sexually Violent Predator ***(discussed below)***	632	573	534	9.8%	-39
Other Penal Code	118	118	118	2.2%	0
Penal Code 2684 and 2974	469	530	580	10.6%	50
CA Youth Authority	30	30	30	.5%	0
SUBTOTAL—Penal Code	**4,403**	**4,666** 263 over Budget Act	**4,899**	**89.8%**	**233**
County Purchased	**600**	**600**	**555**	**10.2%**	**-45**
TOTALS	**5,003**	**5,266**	**5,454**	**100%**	**188**

Subcommittee Staff Comment and Recommendation: The baseline adjustments proposed by the DMH for patient population as discussed above appear to be reasonable given the increase in the penal code patient population. In addition, no issues were raised by the LAO. However, it is recommended to leave the baseline adjustments "open" pending the receipt of the Governor's May Revision since caseload and fiscal adjustments will likely be needed.

In addition, it should be noted that the proposed budget reflects a shift of $20.5 million in General Fund support to Proposition 99 Funds (Hospital Services Account). This aspect of the proposal will be discussed at a later hearing when the overall appropriations of Proposition 99 Funds are discussed.

Questions:

1. DMH, Please provide a brief summary of the baseline adjustments.

2. DMH, Why are the penal-code related patient populations increasing so significantly?

3. DMH, Please explain the need for the "price" increase of $2.8 million ($2.2 million General Fund).

2. Activation of Coalinga State Hospital

Issue: The Governor proposes an increase of $74.2 million ($65.7 million General Fund and $8.5 million in reimbursements for the California Department of Corrections) for the continued activation of Coalinga State Hospital. The hospital is scheduled to open in September 2005 with an initial bed capacity of 250 beds. Ultimately, the hospital is designed to accommodate up to 1,500 beds for penal-code related patients.

Sexually Violent Predators (SVPs) currently at Atascadero State Hospital will be transferred to Coalinga. In addition, the California Department of Corrections will contract with the DMH for 50 beds (intermediate care level).

Of the amount proposed, $54.9 million is to support about 893 State Hospital positions (both level-of-care and non-level-of-care), and about $19 million is to support operating expenses, including $2.5 million for relocation costs for state employees choosing to transfer to Coalinga and $219,000 for workforce recruitment.

Background and Status of Project: Coalinga State Hospital, a 1,500 bed treatment facility is being constructed adjacent to Pleasant Valley State Prison near Coalinga in Fresno County. Construction began in October 2001 with planned patient occupancy scheduled to begin September 2005. At this juncture, a total of $382 million (total funds) has been committed to the construction phase of this hospital.

According to the Administration's plan for activation, CHS will open five treatment units and receive 250 patients beginning September 2005. The patient population will expand to a census of 683 patients at a rate of 100 patients per month, beginning November 2005 and extending through March 2006.

The DMH states that the activation operation represents a major undertaking in a relatively short time period. About 875 clinical, administrative and support staff must be recruited and hired by August 2005 to operate and license the facility to receive the first 250 patients. Another 449 staff will need to be hired between September 2005 and January 2006 in order for the hospital to ramp up and receive the remaining 433 patients by March 2006. All staff hires must be put through hospital orientation training before being assigned.

During this time, all key aspects of the hospital must be activated, including the following core components:

- All clinical treatment programs.
- Medical service support services, including pharmacy, clinical lab, x-ray, dental, emergency services, physical therapy, and central supply.
- Support services, such as laundry, library, canteen, kitchen, custodial, mail system and police services.
- Security services, including patient transport, perimeter security and sallyport access (all to be conducted by the Department of Corrections).

By the end of August 2005 all Department of Health Services (DHS) licensing and State Fire Marshall final approvals must be obtained for the facility to be issued an operating license by the DHS.

Subcommittee Staff Comment and Recommendation: The activation of Coalinga State Hospital by September 2005 reflects the revised activation date provided to the Legislature by the Administration during budget deliberations last year.

A key aspect of activating Coalinga is to relieve severe overcrowding at Atascadero State Hospital and Patton State Hospital. According to recent figures provided by the DMH, Atascadero is over its licensed bed limit by 96 patients and Patton is over its limit by 188 patients.

Both the LAO and Subcommittee staff have reviewed the fiscal request and have raised no issues regarding the data. It should be noted that payment of the debt service for the lease-payment bonds is included in the Governor's aggregate budget totals but not yet reflected in the DMH item. This technical issue is to be remedied at the May Revision. It is recommended to approve this proposal pending receipt of the May Revision.

Questions:

1. DMH, Please provide a brief update on the status of activation for the Coalinga, including an update on the construction completion, installation of key infrastructure and key staff activation functions. DMH, Will the project be completed on time?

2. DMH, Please provide a brief summary of the budget request.

3. Expansion of the Intermediate Care & Day Treatment at Vacaville

Issue: The Governor proposed an increase of $1.4 million for 2004-05 and $2.3 million for 2005-06 to support an increase of 61 intermediate care and day treatment program beds for the Vacaville Inpatient Psychiatric Program. The DMH is reimbursed for these beds by the California Department of Corrections using General Fund support.

With respect to the current-year request, the Joint Legislative Budget Committee (JLBC), chaired by Senator Chesbro, has approved the request though reluctantly. In a letter to DOF Director Tom Campbell, it was noted that the DMH proceeded with expending funds prior to obtaining JLBC approval. As such, the Legislature's appropriation authority was disregarded. The letter notes Section 32 of the annual Budget Act which expressly forbids officers of departments to make any unauthorized expenditures in excess of their appropriations. Further, the JLBC process allows for expedited review (i.e., waiver of the 30-day clause) in the event of urgency; however, this was not requested by the Administration in this instance.

The budget year request of $2.3 million would provide full-year funding for the 61 beds. This funding level includes the salaries and wages for 23.5 positions.

Additional Background: The California Department of Corrections (CDC) has been challenged in several class action lawsuits which allege that the CDC was not providing adequate mental health services. One such case is the Coleman decision (1996). With respect to the California Medical Facility at Vacaville, the CDC has been directed to increase the number of mental health treatment beds from its existing 83 intermediate care and day treatment beds to a total of 144 beds.

Subcommittee Staff Recommendation: It is recommended to approve the budget as proposed.

Questions:

1. LAO, Please provide brief comment regarding the concerns expressed by the JLBC.
2. DOF, Why wasn't appropriate notification provided to the Legislature?
3. DMH, Please provide a brief summary of the budget-year request.

4. Staff Increases for Youth and Skilled Nursing Facilities at MSH and NSH

Issue: The budget proposes an increase of $3.6 million (Reimbursements from County MHPs) to fund an additional 54 nursing staff. Specifically, 42 of the new staff would be for the youth treatment program at Metropolitan State Hospital and 12 positions would be for Napa State Hospital's skilled nursing programs.

The DMH notes that though the patient population for these two distinct programs has been gradually declining, due to patient acuity and medical needs, additional clinical resources are needed. The youth population at Metropolitan State Hospital has experienced multiple failed placements and numerous acute hospitalizations due to behavior that is dangerous to themselves or to others. The skilled nursing programs at Napa State Hospital have serious psychiatric behaviors coupled with serious physical problems that demand increased clinical care.

Legislative Analyst's Office Comment and Subcommittee Staff Recommendation: The LAO does not take issue with the need for increased clinical staff to serve these acute medical populations. However they observe that the DMH budget request assumes a patient level of 85 youths at Metropolitan when only about 50 youths presently reside there. It is therefore recommended for the Subcommittee to adopt the proposal pending receipt of the May Revision when the DMH can provide a more accurate patient estimate.

Questions:

1. DMH, Please provide a brief summary of the budget request.
2. DMH, Will you have a more accurate patient count at May Revision?

5. Strategic Sourcing Initiative's Affect on the State Hospitals

Issue: As part of the Administration's "strategic sourcing" initiative, as described further below, the DOF assigned savings of $2.4 million (General Fund) in *both* the current year and budget to the State Hospitals. Specifically, it was thought that the DMH State Hospitals could obtain savings through the DGS process of contracting more efficiently and effectively for medical supplies and medical services (i.e., those medical services needed to be provided outside of the State Hospitals).

However as noted by the LAO, savings for the current year are unlikely to be achieved and it is unclear whether the $2.4 million amount for the budget year will be obtained either.

Background—Strategic Sourcing Initiative: Budget Control Section 33.50 allows the DOF to reduce departmental appropriations due to savings achieved from the Department of General Services' "strategic sourcing" initiative. Strategic sourcing involves using past years' purchasing information and standard procurement methods to create new contracts for those same goods and services.. The newer contracts should result in lower costs.

This Control Section was first included in the Budget Act of 2004 and is presently proposed in the Governor's 2005-06 budget. The DOF assumes savings for the state overall to be $48 million (General Fund) in the current year, and $96 million (General Fund) for 2005-06. As noted by the LAO, the DOF needs to revise these overall state estimates to better reflect what is realistically achievable.

Subcommittee Staff Comment: It is recommended for the DMH to report back at the May Revision on how it intends to achieve both the current-year and budget-year savings levels.

Questions:

1. DMH, Please provide a brief summary of the department's involvement in the DGS strategic sourcing initiative.
2. DMH, it is likely that any savings will be achieved this year or in the budget year?
3. DMH, are there other options available for achieving savings? If so, please explain.

6. Sexually Violent Predator (SVP) Evaluation and Court Testimony Estimate

Issue: The budget proposes a reduction of $319,000 (General Fund) to reflect the revised estimate of the funding needed to support evaluation and court testimony costs for the SVP Program. This evaluation and court testimony estimate relates only to SVP evaluations performed by private contractors for initial, update, replacement and recommitment evaluations, as well as costs for evaluator court testimony.

The table below summarizes the proposed budget and component parts.

SVP Program Evaluation & Court Estimate	2004-05	2005-06	**Difference**
Initial Evaluations	$2,342,000	$1,264,000	($1,078,000)
Initial Court Testimony	615,0000	911,000	296,000
Initial Evaluation Updates	424,000	394,000	(30,000)
Recommitment Evaluations	804,000	1,369,000	565,000
Recommitment Testimony	626,000	436,000	(190,000)
Recommitment Updates	189,000	319,000	130,000
Airfare Costs	150,000	141,000	(9,000)
Consultation Costs	50,000	47,000	(3,000)
Totals	**$5,200,000**	**$4,881,000**	**($319,000)**

The DMH states that although case referral data is an indicator of program activity it fails to capture many cost drivers, such as additional reports resulting from court delays and lengthy court testimony. As such, the DMH used a one-year regression analysis on the most current 12-months of SVP billing data to project the number of services. *Key* factors used to build this estimate include the following:

- Two contract evaluators are assigned to each individual, who may reside at any one of 32 possible prison locations. Based on a review of records and an interview with the inmate, the

evaluators submit reports to the DMH. If two evaluators have a difference of opinion, two additional evaluators are assigned to the case.

- DMH pays a flat rate of $2,000 for initial evaluations. DMH allows evaluators to bill for extensive travel (over 5 hours) at an hourly rate of $100 per hour, and expenses at state rates. Initial evaluations average $2,450 ($2,000 plus travel and expenses). It is assumed that 516 initial evaluations will be done in 2005-06. Further, it is assumed that 498 testimony episodes will be needed as well.
- DMH pays a flat rate of $2,400 per recommitment evaluation. The average cost, including travel and expenses, is $2,536. All persons ending their two-year SVP commitment must be evaluated again by at least two clinicians. (State staff is also used for this purpose, not just contract staff.)
- Evaluators who perform recommitment evaluations are usually called to testify at SVP trials.

Background—Designation of SVP: In 1995, the Legislature established a civil commitment process for offenders deemed by a court or jury to be a Sexually Violent Predator (SVP). The SPV law is designed to ensure that specified offenders receive intensive inpatient treatment, as well as outpatient treatment and supervision upon their release from state prison.

To qualify as an SVP, an offender must have committed specified sexual acts (e.g., rape, sodomy and lewd or lascivious acts with a child) involving two or more victims and have a diagnosed mental disorder that makes the individual likely to engage in sexually violent predatory behavior in the future.

Background---Overview of the Process: All SVPs first serve their sentence in a CDC prison. Through an initial records review process, the CDC and Board of Prison Terms refer records of inmates suspected of meeting SVP criteria. The DMH orders evaluations to determine whether the offender potentially qualifies for a SVP commitment.

Any inmate meeting SVP criteria then receives a clinical evaluation to determine if a diagnosed mental disorder exists. Inmates meeting all the statutory SVP criteria are referred to District Attorneys for their action. For those cases which a DA decides to file a petition, a probable cause hearing is held before a judge to determine if the facts of the case warrant a full commitment trial.

If a jury or judge finds that it is likely an individual would re-offend, then the individual is committed to the DMH State Hospital system for treatment and supervision. The statutory length of commitment is presently two years. The DMH states that almost all SVPs are recommitted every two years.

According to statistics provided by the DMH as of January 2005 (from program inception):

- The CDC has referred to the DMH a total of 5,778 records of inmates suspected of committing qualifying SVP crimes.
- From these records, the DMH determined that 3,133 inmates had committed sexual acts that would be SVP-related.

- DMH clinicians concluded that 1,239 of these inmates have a diagnosed mental disorder making the individual likely to engage in sexually violent predatory behavior in the future and referred the cases to a District Attorney.
- The District Attorneys have filed 1,036 petitions and have rejected 183.
- The courts have found probable cause for 810 of these petitions, no probably cause for 153, and 73 were pending resolution (as of January 2005).
- About 500 individuals are committed at Atascadero State Hospital as SVPs, 192 trials are pending and 124 were not committed at trial.

Subcommittee Staff Comment and Recommendation: It is recommended to hold this issue "open" pending receipt of the May Revision due to questionable data. The DMH states that the initial evaluation costs are probably lower than they should be and the recommitment costs are probably too high.

The DMH states that they temporarily stopped assigning recommitment evaluations in mid-May 2004 pending resolution of policy changes to the program. However, these changes did not occur. Therefore, the past-year data are skewed and this is the data in which their budget is built. The DMH will be updating their information for the May Revision.

Questions:

1. DMH, Please provide a brief summary of the proposal, highlighting the key changes which are different from the current year, such as the cost of the initial evaluations.
2. DMH, Are substantial changes to this proposal anticipated for the May Revision?

7. Several Proposed Changes to the Sexually Violent Predator Program

Issues: The Administration is proposing to make several changes to the SVP Program. The budget assumes savings of $15.2 million (General Fund) from implementation of two of the measures. However, one of the savings proposals is now being rescinded by the Administration.

Three new changes are proposed to take the place of the rescinded proposal; however no budget year savings have as yet been identified for these proposed changes. Further, these proposals will need to proceed through legislation. Language for these new proposals has not yet been provided, though Senator Poochigian has a spot bill (SB 864) intended for this purpose.

- ***A. Eliminate Court-Ordered State Hospital Placement of "Pre-Trial" SVPs:*** As of March 1, this proposal by the Administration has been rescinded. The Governor's budget includes savings of $9.2 million (General Fund) by shifting "pre-trial" (or pre-commitment) SVPs to the counties, in lieu of having them reside at Atascadero State Hospital (ASH). There are about 174 such cases at ASH currently. This proposal was rejected by the Legislature last year for various reasons, including security concerns. The Administration will be making an adjustment at the May Revision to reflect this change.

In addition, the Administration is now proposing three other changes to the SVP Program in lieu of this proposal. These include (1) changing the term of commitment, (2) requiring a finding of good cause to extend SVP trial dates, and (3) suspending the period of parole during commitment as an SVP. These are all discussed directly below.

- ***B. Change SVP Commitment from a Two-Year Term to a Five Year Term (new):*** This proposal would change statute regarding the commitment and recommitment period for SVPs from its existing two-years to five-years. This proposed change would reduce the frequency of evaluations and recommitment proceedings, as well as other related court expenditures. The Administration notes that language is still being crafted. The Administration also notes that any savings from this proposal would not be forthcoming until future years (i.e., from new SVP commitments, not existing ones).

- ***C. Require Finding of Good Cause to Extend SVP Trial Dates (new):*** This proposal would change statute to require a Public Defender or District Attorney to obtain a finding of good cause from the court in order to obtain a continuance of any set SVP-related trial. The Administration contends that such a policy change would allow for more orderly processing of the cases and would help clarify and resolve reasons for delays. Again, the Administration notes that language is still being crafted. In addition, the Administration does not anticipate any savings from this proposal for the next several years. Any savings amount is contingent upon how the courts would respond to the proposed change.

- ***D. Suspend Parole During Commitment as an SVP (new):*** This proposal would change statute to suspend (or "toll") any period of parole for an SVP while that person is detained in a secure facility, including either the State Hospital or the County Jail *prior to* and during the individual's commitment as an SVP.

  The Administration states that this proposal would ensure that an SVP or "pre-trial" SVP who is unconditionally released has oversight upon re-entry into the community. Again, the Administration notes that language is still being crafted. It is likely that this proposal would slightly increase CDC parole expenditures.

- ***E. Restructure SVP Treatment in the State Hospitals:*** Effective January 1, 2006, the DMH would restructure the supervision and treatment services provided to SVP patients, including the establishment of a new secure SVP residential licensing category. The proposal assumes savings of $6 million (General Fund) in the budget year and $11 million in 2006-07. However, the Administration notes that language is still being crafted. The savings level is based on adjustments to staffing.

  Generally, the concept behind this restructuring is to use less nursing staff and more hospital police officers than done under the current model of treatment. Further, the design of the new Coalinga facility will allow for separation of the SVP patient population into different sub-categories as discussed below.

With the pending activation of Coalinga, the DMH states that it is now the time to modify treatment and to clinically categorize the SVP patient population into three distinct categories as follows:

- ***Passive Treatment Group:*** These are Phase 1 (treatment readiness) individuals who would be housed in a secure residential environment at Coalinga and would attend treatment on an outpatient basis.
- ***Active Treatment Group:*** Phases 2,3 and 4 SVPs would be referred to as the "active" treatment group. These individuals require 24-hour custody supervision in a secure residential facility . Their treatment would be provided in central locations in the facility on an outpatient basis.
- ***Licensed Health Facility Group:*** This group would include SVP patients who have mental or physical illnesses that require care in a licensed health facility. The patients in this third group would include: (1) those just being admitted to the facility and undergoing initial evaluation and screening, (2) those in need of psychiatric hospital care, and (3) those in need of medical care in a hospital setting.

The DMH contends that a new secure SVP residential facility license category is needed for them to achieve savings and to implement the proposed changes. Again, language has not been provided so it is unknown as to what exact changes will be requested at this time.

Background—SVP Treatment Program: The Sex Offender Commitment Program designed for SPV patients is organized into five phases. The first four phases are inpatient treatment and the fifth phase is outpatient.

SVP patients entering the SVP Treatment Program enter as Phase 1 patients. Based on their willingness to participate in the treatment programs and their performance, patients "graduate" to the next phase until reaching outpatient status. As of January 2005, there are a total of 135 patients from 32 counties in phases 2,3,4 and 5 of treatment. The balance of the SVP population (424 patients or 76 percent) remain in Phase I as noted below.

Phase 1: Treatment Readiness (474 patients)
Phase 2: Skills Acquisition (107 patients)
Phase 3: Skills Application (19 patients)
Phase 4: Skills Transition (7 patients)
Phase 5: Community Outpatient Treatment (2 patients)

The statute provides that the SVP patient or the DMH Director may petition the court for conditional release (Phase 5) after the initial two-year commitment. Unlike the initial commitment or re-commitment process (jury trial), the process for a petition for conditional release requires only a court hearing before a judge, no jury trial.

If warranted, the court may order a person into community outpatient treatment (Phase 5) if they think intensive supervision and treatment in the community will result in the likelihood of not re-offending. These individuals are placed in the DMH's Conditional Release Program (CONREP).

(This program is discussed separately in the next agenda item). According to the DMH, this has resulted in the following overall statistics:

- 3 SVPs have been placed into the community with one subsequently being unconditionally released by the court.
- 2 SVPs have been court-ordered into community placement, and are awaiting actual placement.
- 3 SVPs have filed petitions for community release.

Subcommittee Staff Comment: Clearly additional information from the Administration is needed for all four remaining proposals. Language from the DMH are still pending. It is unknown at this time when this information will be made available. These issues will need to be discussed at future hearings once language is available.

Questions:

1. DMH, Please briefly describe and discuss each of the issues, in the order of the agenda.
2. DMH, When will language and comprehensive fiscal estimates be provided for each of these proposals?
3. DMH, How may you adjust your budget to reflect the withdrawn proposal?
4. LAO, any comment on these proposals?

8. Forensic Conditional Release Program (CONREP) Funding Adjustments

Issue: The budget proposes total expenditures of $18.4 million (General Fund) for a net decrease of $144,000 (General Fund) for CONREP.

This request consists of **(1)** an increase of $165,000 in additional costs for State Hospital liaison visits, **(2)** a decrease of $485,000 for patient services, **(3)** an increase of $91,0000 to support an estimated nine Sexually Violent Predators (SVPs) for 12-months and five SVPs for 6 months, and **(4)** an increase of $85,000 for patients released from the State Hospitals into CONREP without resources and who are ineligible for SSI.

The budget consists of three key components, including (1) hospital liaison visits, (2) patient services, (3) funding for SVPs. Each of these is discussed below.

The hospital liaison visits are done to assess outpatient readiness of State Hospital patients who are either Not Guilty by Reason of Insanity (NGI) or are a Mentally Disordered Offender (MDO). The cost per visit is based on a $227 per visit cost. It is projected that about 4,650 visits will be conducted in 2005-06. The proposed budget for this purpose is $919,000 which reflects an increase of $165,000.

For patient services, including outpatient treatment and supervision services, the DMH contracts with 17 counties and three corporations. In addition, the DMH contracts for ancillary services, including toxicology services, pharmacy services for patients on Clozaril medication, an answering service to meet statutory requirements, the Bureau of Prison Terms for statutorily required Mentally Disorder Offenders (MDO) hearings, and for certain assessment services. The budget request is calculated on the number of outpatient cases and State Hospital inpatient population projections times an average statewide patient cost of $21,091. The budget requests a total of $15.5 million (General Fund) for this purpose which reflects a reduction of $400,000.

In August 2003, the first SVP was placed into CONREP. The program as developed by the DMH includes sex offender treatment, dynamic risk assessments, psychiatric medications, and various monitoring tools (such as polygraphs, substance abuse screenings, and GPS monitoring), as well as supervision. The DMH is responsible for program, medical and living costs for the patient.

The DMH contracts with Liberty Healthcare for SVP CONREP services in all 58 counties. The budget proposes expenditures of almost $1.9 million (General Fund) which reflects an increase of $91,000 (General Fund). The budget assumes that nine SVP patients will be court ordered into CONREP placement in 2004-05, and five additional SVP patients will be placed in 2005-06 (total of 14 patients overall)

Background—Description of CONREP: Existing statute provides for the Conditional Release Program (CONREP). Specifically, it mandates for the DMH to be responsible for the community treatment and supervision of judicially committed patients, including Not Guilty by Reason of Insanity (NGI), Mentally Disordered Sex Offenders (MDOs), and Sexually Violent Predators.

CONREP, in operation since 1986, provides outpatient services to patients in the community and hospital liaison visits to patients continuing their inpatient treatment at State Hospitals who may eventually be admitted into CONREP.

CONREP services are provided throughout the state and are either county-operated *or* private/non-profit operated under contract to the DMH. The goal of CONREP is to ensure greater public protection in California communities via a system of mental health assessment, treatment, and supervision to persons placed on outpatient status.

Subcommittee Staff Comment and Recommendation: The budget assumptions are based on existing methodology. No issues have been raised. It is recommended to adopt the proposal pending receipt of the May Revision which may make adjustments for caseload.

Questions: The Subcommittee has requested the DMH to respond to the following questions:

1. DMH, Please provide a brief description of the overall budget request.
2. DMH, Please provide an update on the SVP placements and current pending placements.

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